



# U.S.-PANAMA TRADE PROMOTION AGREEMENT

## Arizona Farmers Will Benefit

September 2011

The U.S. agricultural sector has a great deal to gain from the pending U.S.-Panama Trade Promotion Agreement, known as the Panama TPA. The agreement will immediately eliminate duties on nearly 50 percent of current U.S. exports and gives U.S. exporters improved access to the Panamanian market for many products that have been highly protected. U.S. agricultural exports to Panama in 2010 exceeded \$450 million.

The Panama TPA agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Arizona's agricultural products, including beef, dairy, and vegetables. Arizona's agricultural exports to all countries, estimated at \$670 million in 2010, supported about 5,600 jobs, on and off the farm. These export sales make an important contribution to the Arizona farm economy, which had total cash receipts of \$3.4 billion in 2010.

### **Vegetables and Vegetable Products**

- Panama's tariffs on nearly all frozen and processed vegetables, currently 15 percent, will be eliminated immediately.
- Tariffs for most fresh vegetables will be eliminated in 10-15 years, with the 15-percent tariffs on fresh lettuce, spinach, and broccoli eliminated in 12 years.
- Panama will establish an 816-ton, duty-free preferential tariff-rate quota (TRQ) for fresh onions, growing 2 percent annually. The tariffs on dried and processed onions will be eliminated immediately.
- The tariff on potato chips will be eliminated immediately and the tariffs on potato flakes and other potato preparations will be phased out in 5 to 10 years. Panama will establish a 3,640-ton, duty-free preferential TRQ for frozen precooked French fries. This will grow by 4 percent annually and the over-quota tariff will be eliminated in 5 years. Panama will also establish a 765-ton, duty-free preferential TRQ for fresh potatoes that will grow 2 percent annually.

### **Dairy Products**

- U.S. exporters will have immediate duty-free access to nine preferential dairy TRQs, totaling of 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's WTO commitments.
- Panama will immediately eliminate its 30-percent tariff on dried whey products. The tariffs on most other dairy products, which are currently as high as 140 percent, will be phased out over 15 years.
- Panama has already implemented a December 2006 bilateral agreement with the United States on SPS, recognizing the equivalence of the U.S. food safety systems for processed foods, including dairy products, and streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy products to Panama without burdensome paperwork and without having each facility and shipment inspected by Panamanian authorities.

### **Beef**

- Panama will immediately eliminate its 30-percent duty on the products most important to the U.S. beef industry – prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.
- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariff on

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other edible offal will be eliminated immediately.

- Panama has already implemented a December 2006 bilateral agreement with the United States on sanitary/phytosanitary measures (SPS), reopening its market to U.S. beef by bringing its import requirements related to bovine spongiform encephalopathy into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

#### **Cotton**

- Panama's current zero-tariff treatment for cotton will be locked in place immediately upon implementation of the agreement.
- Under the Panama TPA, the United States will phase-out the WTO over-quota tariff on cotton over 15 years, with no cuts during the first five years, and will continue to provide zero-duty treatment that Panama currently receives under the Caribbean Basin Initiative (CBI) on the in-quota tariff.

<b>Arizona</b>		
<b>Principal Agricultural Products and Exports, 2010</b>		
<b>Product</b>	<b>Cash Receipts</b> (2010 calendar year)	<b>Exports</b> (2010 fiscal year)
<b>Total</b>	<b>\$3.4 billion</b>	<b>\$670 million</b>
Vegetables and Vegetable Products	\$791 million	\$102 million
Dairy Products	\$657 million	\$27 million
Cattle and Beef	\$638 million	\$52 million
Cotton (exports include Linters)	\$206 million	\$154 million
	Source: USDA-NASS	Source: USDA-ERS

*For questions about the U.S.-Panama Trade Promotion Agreement and its impact on U.S. agriculture, please contact FAS Public Affairs at (202) 720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).*